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AUTHORITY: 12 U.S.C. 1715b and 1715z; 42 U.S.C. 3535(d).

Subpart A—Eligibility Requirements—Homes for Lower Income Families**§ 235.1 Applicability of regulations.**

The regulations regarding eligibility requirements (including eligibility requirements for noncitizens) for homes for lower income families in force before December 8, 1995, will continue to govern the rights and obligations of mortgagors, mortgagees, and the Department of Housing and Urban Development with respect to loans insured under section 235(i) of the National Housing Act.

[61 FR 13624, Mar. 27, 1996]

Subpart B—Contract Rights and Obligations—Homes for Lower Income Families

SOURCE: 41 FR 1176, Jan. 6, 1976, unless otherwise noted.

§ 235.201 Cross-reference.

(a) All of the provisions of subpart B, part 203 of this chapter covering mortgages insured under section 203 of the National Housing Act apply to mortgages insured under section 235 of the National Housing Act, except the following provisions:

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(b) The term *property or each family dwelling unit* as used in §§ 203.251 through 203.435 of this chapter (part 203, subpart B) shall, when used in connection with a family unit in a condominium, be construed to include a “one-family unit and the undivided interest in the common areas and facilities.”

[41 FR 1176, Jan. 6, 1976, as amended at 41 FR 42949, Sept. 29, 1976; 42 FR 29306, June 8, 1977; 47 FR 30754, July 15, 1982; 48 FR 28807, June 23, 1983; 52 FR 8070, Mar. 16, 1987; 52 FR 28470, July 30, 1987; 52 FR 48205, Dec. 21, 1987; 53 FR 9869, Mar. 28, 1988; 55 FR 34814, Aug. 24, 1990]

§ 235.202 Amount of initial MIP.

(a) With respect to mortgages approved for insurance under this part prior to January 5, 1976, the initial MIP shall be in an amount equal to one-half percent of the average outstanding principal obligation for the first year of amortization under the mortgage, without taking into account delinquent payments or prepayments.

(b) With respect to mortgages approved for insurance under this part on and after January 5, 1976, the initial MIP shall be in an amount equal to seven-tenths of one percent of the average outstanding principal obligation for the first year of amortization under the mortgage, without taking into account delinquent payments or prepayments.

§ 235.204 Amount of annual MIP.

(a) With respect to mortgages approved for insurance under this part prior to January 5, 1976, after payment of the initial MIP an annual MIP shall be paid in an amount equal to one-half percent of the average outstanding principal obligation for the 12-month period preceding the date on which the premium becomes payable, without

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taking into account delinquent payments or prepayments.

(b) With respect to mortgages approved for insurance under this part on and after January 5, 1976, after payment of the initial MIP an annual MIP shall be paid in an amount equal to seven-tenths of one percent of the average outstanding principal obligation for the 12-month period preceding the date on which the premium becomes payable, without taking into account delinquent payments or prepayments.

§ 235.205 Deed in lieu of foreclosure.

All of the provisions of § 203.357 of this chapter relating to the acceptance of a deed in lieu of foreclosure shall apply to mortgages insured under this part, except that where a family unit in condominium is involved, the deed in lieu of foreclosure may be accepted only if the mortgagee establishes to the satisfaction of the Secretary that there are no unpaid assessments owed to the association or cooperative of owners.

§ 235.206 Substitute mortgagors.

(a) *Selling mortgagor.* The mortgagee may effect the release of a mortgagor from personal liability on the mortgage note only if it obtains the Commissioner's approval of a substitute mortgagor, as provided under this section. The Commissioner may release a mortgagor from personal liability on any second mortgage note it holds in connection with its approval of a substitute mortgagor under this section.

(b) *Purchasing mortgagor.* The Commissioner may approve a substitute mortgagor with respect to any mortgage insured under this part only if the mortgagor is to occupy the dwelling as a principal residence (as defined in § 203.18(f)(1) of this chapter) and only if the mortgagor meets all applicable requirements of this part.

(c) *Applicability—current mortgagor.* Paragraph (b) of this section applies to the Commissioner's approval of a substitute mortgagor only if the mortgage executed by the original mortgagor met the conditions of § 203.258(c) of this chapter.

(d) *Applicability—earlier mortgagor.* The occupancy and similar requirements set forth in § 203.258(d) of this